NODIS REVIEW
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Reviewed by: [illegible]
Date: 17 Sept 87

VIA ALPHA CHANNEL

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THE SECRETARY OF STATE
WASHINGTON

November 10, 1980

MEMORANDUM FOR: The President

FROM: Edmund S. Muskie

SUBJECT: Transition Issues

I have outlined below a number of issues that will require consideration during the transition.

Category I lists items where the absence of an advance view from the incoming Administration could cause a policy development that will limit the President-elect's options once he assumes office. In this category, our own decisions could be affected by what we know of the views of the incoming Administration.

Category II lists issues on which your Administration will be making decisions before January 20. I recommend that we inform the President-elect of the positions that we plan to adopt on these matters. In this category, we would not hold consultations with the incoming Administration, but possibly take into account their reactions, if any.

Category III lists a number of policy issues that you may wish to decide or defer during this period. If you decide that some of these questions should be decided before January 20, you could then authorize us to inform the incoming Administration.

DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY AmBobster DATE 5/28/85
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CATEGORY I

Iran Hostages. We will fully brief the President-elect and his advisors on the hostage situation. If we reach an agreement on their release, however, the implementation of the terms -- particularly claims settlements and military spare parts -- would carry well into the new Administration. Before final agreement with the Iranians, we may want a private indication from the President-elect respecting the terms. In connection with a settlement, we will want to explain that the agreement affecting spare parts will affect our relations with the Arab states supporting Iran and the Soviet Union.

Saudi F-15 Enhancement. The Saudi Government has now made it clear that it expects the outgoing Administration to make a decision on all items with respect to F-15 enhancement. We are notifying the Saudis of the accelerated delivery schedule for the F-15s. You will have to decide on whether to act on any or all of the enhancement items before January 20, or to leave the decision to the new Administration. We will make clear that the Saudis regard this decision as a critical element in determining their future relations with the U.S.

Kim Dae Jung. The appeals process will be completed some time between late November and mid-January. The pressures we have directed at President Chun Doo Hwon to commute Kim's death sentence will likely prove ineffective unless they are reinforced by people who can speak authoritatively for the President-elect.

Poland. The economic and political situation in Poland is extremely delicate. We have been pressing our allies to do more for the Poles economically, and we have warned the Soviets and their Warsaw Pact allies of the severe impact outside intervention would have on East-West relations. We are coming to grips with the sweeping implications of the Polish question and you have a decision to make on whether to provide some short-term assistance pending renegotiation of Poland's debts. It would be useful for the allies to know that the President-elect fully shares our hope that they will aid the Polish Government, and that he supports our view that outside intervention would require a severe curtailment of economic and political relations between West and East. Additionally, we may want to suggest using Senator Percy's upcoming trip to Moscow as an occasion to assure that the Soviets understand the seriousness with which

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the incoming Administration would view any Soviet intervention in Poland.

El Salvador. Conservative elements in El Salvador are using our election results as a pretext for moving against Col. Majano and the Christian Democratic members of the Junta. Such changes would diminish even further the limited appeal of the Junta in El Salvador and abroad. Unless the incoming Administration resists overtures from the far-right and signals support for the Junta, there will probably be a rightist coup before inauguration day with a consequent polarization in El Salvador and constriction of U.S. policy options.

Cuba. The Cuban Government has indicated that it is prepared to begin discussions with the outgoing Administration on an orderly departure program that would establish procedures and levels for regularized immigration from Cuba to the U.S. You may want to authorize our beginning these talks and keeping the President-elect informed of their progress.

In addition, on November 8 anti-Castro exiles carried out their first raid within Cuba since 1977. Reportedly, one Cuban policeman was killed and several others wounded before the five-man group was captured. Although the group members have told the Cubans that they were acting independently, Castro may assume that the attack was related to the election result in the U.S. We will be telling the Cubans that we continue to oppose such raids, and cooperate with domestic law enforcement agencies to increase surveillance of these anti-Castro terrorist groups in Florida.

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CDE. If CSCE is brought to a halt soon, CDE will not come up in the CSCE context. However, the French and Soviets may well push their respective disarmament proposals outside of the CSCE framework, and we will have to insist that we oppose consideration of these conferences if they are delinked from the balanced CSCE results that we had made critical to our acceptance of CDE.

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CATEGORY II

Soviet Sanctions. There are a number of upcoming decisions affecting our policy of applying sanctions against the USSR following the Soviet invasion of Afghanistan. Among these issues are continuance of the grains embargo, revision of the COCOM lists and the Dresser equipment sale. The Western allies who have been pressing to relax economic sanctions will drag their feet in the coming weeks as we urge the continuation of sanctions.

Middle East Peace Process. A program of negotiations has been laid out over the next couple of months, beginning with trilateral meetings on November 17 to prepare for a summit sometime early in the new year. The Egyptians have already conveyed to us a strong desire for assurances from the President-elect that he intends to continue on course with the Camp David process and specifically to hold the summit in 1981. Both the Egyptians and the Israelis will be putting these negotiations on hold while waiting for signals indicating the direction of the President-elect's policies. If we want to keep up the momentum of the negotiating process, the parties will have to know that the incoming Administration supports serious negotiations during the transition period.

Begin Visit. Begin will be meeting with you on November 13. Our recommendation will be that you urge Begin to intensify and accelerate the peace negotiations. We should also press Begin to decide whether he believes it in Israel's interest to have a summit that will make progress.

There are two additional problems Begin may raise with you and the President-elect: a) Begin has been pressing us to resume the Israeli military supply relationship with Iran. We have told him that such a resumption would potentially have negative effects on our hostage negotiations; and b) If Begin fails to oppose the draft legislation to annex the Golan Heights, the legislation will probably pass, with possibly fatal consequences to the peace process, including undermining U.N.S.C. Resolutions 242 and 338 as a basis for future negotiations.

TNF Talks. U.S. and Soviets have agreed there should be a joint statement at the end of the current round in Geneva

November 17, including a point on continuation of the talks. We plan to propose that "the date for resumption of these meetings next year will be determined subsequently by mutual consultations". This language is consistent with the formula we agreed with the Soviets in the SALT II talks during the transition in November 1976.

CTB Negotiations. Negotiators in Geneva normally set a tentative resumption date at the end of each round. The current round ends November 14. The U.S. will propose that the date for the next round be set later through diplomatic channels.

Global Negotiations. Current informal discussion on a new round of Global Negotiations on North/South economic issues will give way to formal negotiations on November 17. If agreement can be reached on procedures that protect the specialized agencies and a neutral agenda, the U.S. will join others in agreeing to Global Negotiations early next year. The Mexican proposal for a North-South summit is also under consideration.

OAS General Assembly (November 19-26). Most OAS Foreign Ministers will be in Washington for informal discussion and formal debate on regional concerns. Many will seek contacts with representatives of the incoming Administration. In this connection, the outgoing Administration's handling of the required human rights report on Argentina will receive considerable attention from the Latin Americans.

Visit of FRG Chancellor Schmidt and Foreign Minister Genscher (November 19-20). We will discuss improved management of U.S.-FRG relations and cooperation on shared regional/global concerns. The Chancellor has indicated that he would like to meet with the President-elect.

EC Statement on Mideast. The EC Summit may issue a statement outlining a peace process at their December 1-2 meeting. We have been acting to convince the Europeans not to take actions that would hamper the Middle East peace process.

IEA. IEA Oil Ministers will meet December 8-9 to focus on responses to the continued oil shortfall caused by the Iraq-Iran war. Measures could include negotiation of oil import ceilings or activation of the emergency sharing system. (The IEA Governing Board meets in advance November 21.)

NATO Ministerials (Defense Policy Committee and North Atlantic Council, December 9-12). We will stress the need

for strong allied defense efforts and a common approach to crises outside Europe. European defense spending levels (which are falling below the three percent real growth per year promises) and Soviet sanctions policies will also be discussed.

MBFR. The present round is due to end on December 19. Three weeks ago, representatives of the Eastern and Western Groups agreed to January 29 as a date for resumption next year. This is standard year-end procedure and was followed during the 1976-77 transition. For this reason -- and because MBFR is a multinational negotiation involving 19 nations -- it would be inappropriate for the US acting alone to try to change the Vienna schedule.

Greek Defense Agreement. We will begin negotiation of a new defense agreement with Greece, and it may be possible to conclude it before the end of 1980.

Namibia. We are at a critical stage in the UN negotiations with the South Africans over independence for Namibia. South Africa may now decide to stall, in the hope that the incoming Administration will be less supportive of the UN plan. Delay could lead to renewed violence in Namibia and across the borders of the Front Line states. South Africa should be informed that we will continue to place high priority on implementation of the UN plan, as do our European allies.

Angola. You may want to make a decision on normalization of relations with Angola.

Sale of 160 A-3 Tanks to Jordan. We have a pending request for 100 tanks from Jordan although it is possible that the number might be reduced by acquisitions by Jordan from other sources. The presently planned phase-out of the M60 production line will require that we begin Congressional notification as soon as the Congress reconvenes in January or forfeit the opportunity to go forward with the sale.

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CATEGORY III

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A. Policy

Japanese Automobiles. The ITC decision is expected on November 10. If injury is found, we will probably have to develop a policy response, although delay past January 20 is a possibility.

Micronesia. We initialed a Compact of Free Association with the Governments of the Federated States of Micronesia and Marshall Islands on October 31. The Government of Palau is committed to initial the Compact by November 13. There may be strong Conservative pressure in Congress to oppose this agreement with Senators opposed to the Panama Canal treaties leading the fight. Offsetting this, the Micronesian Governments have agreed, in principle, to deny future military access to third countries, a provision considered essential to Congressional approval of the Compact. The specific terms of strategic denial, along with a number of other subsidiary agreements, are to be negotiated prior to signing of the Compact. The Micronesian Governments are extremely anxious to conclude these negotiations in order for the Compact to be submitted to you for review and signature prior to January 20. The Soviets have also begun to criticize the agreement.

Rice for Korea. Korea had a bad rice crop and must import 2.4 million tons or risk political instability. We must decide soon whether to permit an exception to the U.S.-Japan rice agreement to enable Japan to ship substantial quantities of subsidized rice to Korea. U.S. rice exporters want to limit such Japanese sales but the Koreans are buying all available U.S. rice from California and some from the Gulf States. Rice growers in Arkansas and Louisiana would like to sell more but we expect them to go along reluctantly with a U.S.G. decision favoring an exception.

PL-480 for Egypt. Under the present continuing resolution, and because the price of wheat is rapidly rising, there is not enough in the FY-81 budget to meet our past year's level of 1.5 million tons of wheat for Egypt without cutting deeply into the other countries' allocations. We will need a decision by early December whether we should commit ourselves to maintaining the 1.5 million ton level which will require cuts in other PL-480 programs or to sign an agreement with the Egyptians for a lesser amount now (1.1 million tons) with no assurances that we will be able to make up the difference without additional funds from Congress.

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Sale of Boeing Civil Aircraft to Iraq. By December 15, a decision will be required for or against granting licenses to Boeing for the export of five civil aircraft to Iraq (two 747's and three 727's). By that date Boeing must have agreement to the licenses for all five aircraft or Iraq will cancel their sales contract. Iran is flying U.S. commercial aircraft -- notably 747 cargoes -- to support its war effort. Our decision on these aircraft will affect significantly our ability to remain the prime supplier of aircraft to the largest Middle Eastern airline corporations.

We also have the GE engines for the Italian frigates as a further pending matter with Iraq.

Sverdlovsk BW Incident. To avoid loss of momentum, we could authorize an effort this autumn to convene a meeting of parties to the BW Convention to place the international spotlight on Sverdlovsk, and to develop a means to deal with future incidents.

Nuclear Exports. Two Swiss requests to retransfer U.S.-origin fuel to the UK and France for reprocessing have been pending for about nine months, and one request to sell plutonium from U.S.-origin fuel for use in France's Super-Phoenix demonstration breeder reactor has been pending over a year. Action has been held up pending a Swiss response to our demarches to them about exports by Swiss firms to Pakistan's unsafeguarded enrichment and reprocessing programs. The Swiss have provided what we consider a constructive response and you may soon be asked to approve the Swiss requests.

Taiwan Arms Sales. We have deferred decision on a number of requests for arms sales to Taiwan until after the election. Among these were preliminary expressions of interest in the FX aircraft and harpoon missile. In view of Beijing's growing public opposition to arms sales, PRC apprehensions about U.S. backsliding on the normalization understandings, and uncertainties as to how the Reagan Administration plans to proceed, these decisions should probably be left for the new Administration.

Proposed Moroccan Purchase of M60 Tanks. State, DOD and NSC have agreed in principle to recommend approval of the sale. The current plan is to recommend approval about November 19, notify the Moroccans at that time, and then consider whether to start the informal Congressional notification at once, or defer the whole 36(b) process until January. This plan will have to be reviewed in light of the Algerian's role in the Iranian hostage negotiations.

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OV-10 Deliveries to Morocco. The 1979 decision to sell OV-10's to Morocco specifies that deliveries are contingent on Morocco's having entered into negotiations for a Western Sahara peace settlement. Morocco has shown new flexibility lately but whether it has entered a negotiating phase is a matter of definition, arguable either way. The first two OV-10's are scheduled for delivery in February; DOD says that production costs will increase if no decision on further deliveries is made before the end of the year.

B. Budget

Foreign Assistance Legislation.

AID Authorization. This was midway in conference when the Congress recessed in October. We should seek resumption and completion of the conference as early as possible in the special session. The authorization is particularly important because it contains a new FMS financing formula which would permit funding of FY-81 levels, including Israel and Egypt, even in the absence of FY-81 appropriations. Unless the House leadership can obtain assurances from Republicans not to attack the FY-81 foreign aid appropriations bill on the House floor, we should not press for this legislation in the special session. Even in the unlikely event of House passage, we would risk a filibuster when it passed to the Senate.

IDA. Authorization legislation for U.S. participation in the 6th replenishment of IDA was approved by the Senate and is awaiting final House floor action. We should press for House passage of IDA VI early enough in the special session to permit time for conference action and final passage by both Houses.

El Salvador. We should decide whether to supply urgently needed but controversial military equipment and possibly increase aid to the Junta to help cope with the worsening economic situation.

Aid to Jamaica. A concessional assistance package of about $45 million is desirable as a U.S. contribution to help prevent the collapse of Jamaica's economy. A decision is necessary on whether to seek a supplemental or to reprogram hard-pressed funds from development aid, economic support funds and PL-480.

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FY 1982 Resources. We will need to decide the overall level and mix of programs for the international affairs budget. This decision will include the option of providing a significant increase in foreign affairs programs in order to reassert U.S. political, economic and security interests in the Third World. In addition, decisions will have to be made on whether to include a $100 million ESF program for Pakistan; and the level of FMS finance to support for Israel.

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